IN THE MATTER OF THE APPLICATION REGARDING CONVERSION OF PREMERA BLUE CROSS AND ITS AFFILIATES

Washington State Insurance Commissioner's Docket # G02-45

PRE-FILED RESPONSIVE TESTIMONY OF:

Rakesh "Roki" Chauhan, M.D.
Vice President, Medical Services & Medical Director for Quality
Premera Blue Cross

April 15, 2004

CONFIDENTIAL and PROPRIETARY
NOT FOR PUBLIC DISCLOSURE

Introduction of Witness

Q. Please state your name.

A. Dr. Rakesh "Roki" Chauhan, M.D., C.M.C.E., F.A.A.F.P.

Q. Please identify your employer and state your title.

A. I am Vice-President of Medical Services and Medical Director for Quality at Premera Blue Cross.

Q. Are you the same Roki Chauhan who filed direct testimony on March 31, 2004, in this proceeding?

A. Yes.

Q. Have you read the pre-filed direct testimony filed in this matter by the witnesses of the Office of the Insurance Commissioner, the state consultants, and the interveners in this proceeding?

A. I have read the pre-filed direct testimony that pertains to my area of testimony. In particular, I have read the pre-filed direct testimony of Dr. Jeff Collins on behalf of the Washington State Medical Association dated March 30, 2004.

Testimony

Q: Dr. Collins' testimony asserts that physicians have great difficulty in obtaining approval for procedures from Premera. Do you agree with this assertion?

A: No. Dr. Collins may be repeating outdated provider complaints from a by-gone era, and is unaware of many of the changes and improvements made by Premera over the last few years. Premera does not require any prior authorizations, contrary to Dr. Collins' suggestion otherwise. We do offer providers the option of obtaining a voluntary benefit advisory that provides an indication whether a member's plan covers the procedure in question. All the provider needs to do is fax us a request and the advisory will be returned by fax, most often that same day. In addition, Premera no longer requires

referrals. Dr. Collins' suggestion that providers have difficulty obtaining approvals for procedures is entirely without merit – we do not require prior authorizations or referrals.

Q. Do you agree with Dr. Collins' assertion that unqualified Premera employees make decisions regarding medical necessity and the patient's best medical interests?

A. No. Dr. Collins is again mistaken. Any decision to deny a claim based upon medical necessity must be made by one of our medical directors, all of whom are licensed physicians. By the way, fewer than 2% of Premera claims are denied on this basis.

Q. Dr. Collins criticizes Premera for "bundling services" in order to keep physician reimbursement artificially low. How do you respond?

A. In fact, every health plan of which I am aware, both for-profit and not-for-profit, as well as Medicare and Medicaid, "bundle" services. The practice of "bundling" services is not intended to artificially hold reimbursement down. It is intended to pay fairly for services based upon the resources necessary to deliver the service in question, and to avoid excessive payment. Dr. Collins implies in his testimony that the process of "bundling services" is somehow peculiar to Premera. That is not the case.

Q. Dr. Collins also asserts that Premera's prescription drug coverage is confusing.

A. This is another area in which I think Dr. Collins is badly mistaken. Our prescription drug coverage is exceedingly simple: our formulary includes <u>every</u> drug for any covered condition that is approved for sale by the Food and Drug Administration. However, prescription drug costs are rising at a rate faster than any other component of our health care system. To help address this problem, as I mentioned in my Pre-filed Direct Testimony, we are active in encouraging the use of less expensive generic drugs in place of more expensive brand-name drugs. As part of this effort, we do ask members to

pay a higher co-payment if they wish to use a brand-name drug that has a clinically equivalent generic form available. Again, every approved drug is available to our members.

Q. Are Premera's decisions on prescription drug coverage "driven primarily by financial motives" as Dr. Collins suggests?

A. Absolutely not. In order to ensure a clinically principled decision-making process, any modifications to our formulary may be approved only by an independent Pharmacy and Therapeutics Committee, not by Premera personnel. This committee is made up of practicing physicians, pharmacists, and a lay member. In addition, there is a medical ethicist available "on-call" for tough issues. No Premera associate has voting rights to determine which tier a prescription drug is placed in. The primary consideration for each drug reviewed by the committee is safety and efficacy. The Committee also makes decisions regarding whether to require a higher co-payment for a covered drug in the event a less expensive clinically equivalent alternative becomes available.

Q. Do you have any other observations about Dr. Collins' testimony?

A. I cannot speculate on why Dr. Collins has made assertions about Premera's practices that are so inconsistent with the reality of how we actually operate. It is worth noting, however, that his views are also inconsistent with feedback from other physicians. The annual physician satisfaction survey performed by an outside company showed that in 2003, 75% of physicians rated Premera "better than" other health plans with whom they contract.

Q. Does this conclude your pre-filed responsive testimony?

A. Yes, it does.

VERIFICATION

I, ROKI CHAUHAN, M.D., declare under penalty of perjury of the laws of the State of Washington that the foregoing answers are true and correct.

Executed this ____ day of April, 2004, at Mountlake Terrace, Washington.

/s/
ROKI CHAUHAN, M.D.